MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2021/2022

BAC3634 – CORPORATE ACCOUNTING I

(All sections / Groups)

27 November 2021
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 8 pages (excluding the cover page) with 4 Questions only.

2. Attempt **ALL** questions. The distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

The summarised financial records of the companies as at 31 December 2020 were as given below:

	Ocean Bhd	**River Bhd**	**Lake Bhd**
	RM '000	**RM '000**	**RM '000**
Bank	90	1,400	120
Building	5,400	6,000	1,800
Inventories	120	480	240
Investment in Lake Bhd	3,000	-	-
Investment in River Bhd	13,500	-	-
Land	2,400	6,300	2,670
Ordinary Share Capital	27,000	15,000	2,400
Overdraft	300	540	-
Plant	6,450	2,700	960
Profit for the year	1,800	960	2,100
Retained Profit b/f	900	1,080	750
Trade Payables	1,050	360	960
Trade Receivables	90	1,060	420

Additional Information:

1) River Bhd was acquired by Ocean Berhad on 1 July 2014. At the date of acquisition, River Bhd had the following details:

Number of shares acquired by Ocean Bhd	4,500,000
Number of issued shares by River Bhd	6,000,000
Retained Profit	RM 600,000 (debit balance)

At the date of acquisition, all assets were fairly valued except for building. The fair value of the building was RM 270,000 in excess of its carrying amount in the book of River Bhd. The building still has a remaining useful life of 10 years. River Bhd had not captured this in its books of account.

2) Lake Bhd was acquired by Ocean Bhd on 1 July 2020. The following details were made available at the date of acquisition:

Number of shares acquired by Ocean Bhd	1,920,000
Number of issued shares by Lake Bhd	2,400,000

At the date of acquisition, all the assets were valued at fair value except for a piece of land. The carrying value is RM 900,000 less than its fair value. Lake Bhd had not captured this in its books of account.

3) Inventory was sold by Lake Bhd to Ocean Bhd. As at 31 December 2020, the profit from the sale of inventory amounted to RM 15,000 was still retained by Lake Bhd.

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4) During the year, Ocean Bhd sold a plant to River Bhd. The details of the plant were:

Cost	RM 900,000
Selling Price	RM 1,500,000
Remaining Useful Life	5 years

5) Full depreciation is to be provided in the year of acquisition.

Required:

a) Calculate the goodwill of the acquisition.

(4 marks)

b) Prepare the consolidated statement of financial position of the group as at 31 December 2020. Show all relevant workings.

(21 marks)

(Total: 25 marks)

QUESTION 2

As at 31 December 2020, the statement of Profit and Loss of Keris Bhd and Wawasan Bhd were as given:

	Keris Bhd (RM)	**Wawasan Bhd (RM)**
Turnover	10,000,000	7,500,000
Cost of Sales	3,750,000	2,500,000
Gross Profit	6,250,000	5,000,000
Administrative Expenses	750,000	1,250,000
Selling Expenses	500,000	1,250,000
Profit before Tax	5,000,000	2,500,000
Taxation	1,500,000	750,000
Profit after Tax	3,500,000	1,750,000

Additional information:

1) Keris Bhd acquired 10 million ordinary shares of Wawasan Bhd on 1 April 2020 when Wawasan Bhd recorded the followings:

Paid Up Capital	12,500,000 ordinary shares @ RM1
Retained profit	RM 1,500,000
Cost of Investment	RM 12,280,000
Machinery (Cost) Machinery (Fair value) Remaining Useful life	RM 3,750,000 RM5,000,000 10 years

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Depreciation Method	Straight-line method (Full year depreciation is to be provided at the year of acquisition).

Wawasan Bhd had not revalued the machinery to fair value. The depreciation charge was categorised as administrative expense.

2) During the year, inventory costing RM 600,000 was sold by Wawasan Bhd to Keris Bhd at cost plus 25 percent. At the end of the year, half of the inventory remained unsold.

3) As at 31 December 2020, it was determined that goodwill on consolidation was impaired by 10%. Partial goodwill method was adopted by the group.

4) On 20 December 2020, the companies proposed dividend payment to its shareholders. The details were:

	Keris Bhd	Wawasan Bhd
Dividend Proposed -Ordinary Shares	RM 250,000	RM 250,000

Keris Bhd had not recognised its share of dividend from Wawasan Bhd.

5) As at 1 January 2020, retained earnings brought forward for Keris Bhd was RM 1,750,000 and RM 1,062,500 for Wawasan Bhd.

6) Assume profits and expenses accrue evenly throughout the year.

Required:

a) Prepare the consolidated statement of profit and loss of the group for the year ended 31 December 2020. (18 marks)

b) Calculate the group retained profit as at 31 December 2020. (7 marks)

(Total: 25 marks)

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QUESTION 3

Set out below are the draft statements of financial position of B-Food Berhad, D-Drink Sdn. Bhd. and M-Juice Sdn. Bhd. as at 31 March 2021.

	B-Food Berhad RM	**D-Drink Sdn. Bhd. RM**	**M-Juice Sdn. Bhd. RM**
Non-current assets			
Property, plant and equipment	11,000,000	3,480,000	3,340,000
Investments	9,020,000	–	–
	20,020,000	3,480,000	3,340,000
Current assets			
Inventories	2,100,000	1,280,000	1,160,000
Trade receivables	2,560,000	1,360,000	1,320,000
Cash and cash equivalents	2,260,000	60,000	128,000
	6,920,000	2,700,000	2,608,000
	26,940,000	6,180,000	5,948,000
Equity			
Ordinary shares (RM1 shares)	8,000,000	2,000,000	2,800,000
Retained earnings	11,200,000	2,740,000	2,000,000
	19,200,000	4,740,000	2,000,000
Current liabilities			
Trade payables	2,460,000	1,320,000	1,008,000
Tax payable	480,000	120,000	140,000
Suspense account	4,800,000	-	-
	7,740,000	1,440,000	1,148,000
	26,940,000	6,180,000	5,948,000

Additional information:

1. On 1 January 2015, B-Food Berhad acquired 75% of D-Drink Sdn. Bhd.'s ordinary share capital for RM3,600,000 when the retained earnings of D-Drink Sdn. Bhd. were RM2,200,000. There has been impairment of recognised goodwill in respect of D-Drink Sdn. Bhd. to date totalling RM50,000.

   On 1 January 2015, B-Food Berhad also purchased 80% of the ordinary share capital of M-Juice Sdn. Bhd. for RM3,720,000 when the reserves of M-Juice Sdn. Bhd. were RM1,280,000. There has been no impairment of goodwill in respect of M-Juice Sdn. Bhd.

   Goodwill and non-controlling interest are measured based on the proportionate basis.

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2. On 31 December 2020, B-Food Berhad disposed of its total shareholding in M-Juice Sdn. Bhd. for RM4,800,000. These proceeds have been debited to the cash account and credited to a suspense account. No other accounting entries have been made in respect of this disposal. B-Food Berhad must pay 30% tax on the profit on this disposal in its own financial statements within 12 months of the statement of financial position date of 31 March 2021. M-Juice Sdn. Bhd.'s retained earnings on 1 April 2020 were RM1,760,000 and during the year to 31 March 2021 profits accrued evenly.

3. During the year to 31 March 2021, D-Drink Sdn. Bhd. sold goods to B-Food Berhad at cost plus a mark-up of 25%. At 31 March 2021, RM160,000 of these goods at cost to B-Food Berhad were included in B-Food Berhad 's inventories in its statement of financial position.

4. The issued share capital of D-Drink Sdn. Bhd. and M-Juice Sdn. Bhd. has not changed since the acquisitions were made and at the dates of both acquisitions the fair value of the net assets of the companies were equal to their carrying amounts.

5. On 1 July 2020, B-Food Berhad entered into a joint venture, obtaining 50% of the share capital of P-Cafe Sdn. Bhd., a newly-created company, for RM1,300,000. P-Cafe Sdn. Bhd. made a profit of RM700,000 in its first nine months' trading and paid a dividend of RM84,000. B-Food Berhad has recognised the dividend received in profit or loss, correctly recorded the cash received and made no further adjustment.

Required:

a) Compute the gain or loss on disposal after tax of the investment in M-Juice Sdn. Bhd. that will be shown in:

   i) B-Food Berhad's separate financial statements; and
   ii) the B-Food Group consolidated financial statements.

(6 marks)

b) Prepare the consolidated statement of financial position of the B-Food Group as at 31 March 2021.

(19 marks)

(Total: 25 marks)

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QUESTION 4

Ginger Group is a Malaysian listed company. The financial year end is 31 December annually. The extracts of consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 of Ginger Group is as follows:

	RM
Profit before interest	52,000,000
Finance costs	(8,000,000)
Profit before tax	44,000,000
Tax expense	(11,000,000)
Profit for the year	33,000,000
Other comprehensive income:	
Revaluation surplus for property, plant and equipment	(5,000,000)
Other comprehensive income for the year	(5,000,000)

The accountant has also furnished the following extracts of Ginger Group's equities, assets and liabilities as at 31 December 2020:

	2020 RM	**2019 RM**
Equities:		
Ordinary shares	290,000,000	275,000,000
Retained earnings	355,000,000	328,000,000
Revaluation reserve	11,000,000	16,000,000
Non-controlling interest	55,000,000	36,000,000
Assets		
Property, plant and equipment	502,000,000	412,000,000
Investment property	8,000,000	6,000,000
Goodwill	40,000,000	68,000,000
8% Investments	4,000,000	-
Inventories	105,000,000	128,000,000
Trade receivables	62,000,000	113,000,000
Liabilities		
Long-term borrowings	67,000,000	71,000,000
Deferred taxation	32,000,000	41,000,000
Provision for retirement benefits	25,000,000	22,000,000
Trade payables	144,000,000	55,000,000
Tax payables	33,000,000	30,000,000

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Additional information:

1. Ginger Berhad purchased 8% of the ordinary shares of Turmeric Sdn. Bhd. on 1 January 2020 for RM4,000,000. This transaction was recorded as an investment (non-current asset) at the cost of purchase. It is measured at fair value through profit or loss.

   On 31 July 2020, Ginger Berhad purchased another 52% of Turmeric Sdn. Bhd.'s ordinary shares and obtained control of the company. The consideration transferred on 31 July 2020 consisted of cash amounting to RM15,000,000 and ordinary shares of RM15,000,000.

   The fair value of the non-controlling interest in Turmeric Sdn. Bhd. on 31 July 2020 was correctly measured as RM20,000,000. The fair value of identifiable assets of Turmeric Sdn. Bhd. on 31 July 2020 was RM42,000,000. Included in the fair value of identifiable assets were trade receivables of RM5,000,000 and trade payables of RM6,000,000.

   Ginger Berhad has revalued the previous 8% investment of Turmeric Sdn. Bhd. as RM5,000,000 (RM30,000,000+RM20,000,000-RM45,000,000). However, it has not been adjusted in the book of Turmeric Sdn. Bhd. It was still classified as investment in the non-current asset and is measured at RM4,000,000.

2. Ginger Berhad had tested for impairment for all subsidiaries in the year to 31 December 2020 and any impairment correctly calculated and accounted for.

3. Ginger Berhad uses the fair value model for measuring investment property. There was no new purchase or disposal in year 2020.

4. The movement of provision for retirement benefit was mainly a yearly provision. There was no cash paid for the retirement benefit.

5. Ginger Berhad sold land with a carrying amount of RM10,000,000 for cash of RM19,000,000. Depreciation for the period was RM27,000,000.

6. During the year, the dividend paid to non-controlling interest was RM11,000,000.

7. The dividends paid by Ginger Berhad to shareholders in year 2020 was RM5,000,000.

Required:

a) Prepare the adjusting journal entries to record the revaluation of the previous 8% investment of Turmeric Sdn. Bhd. amounting to RM5,000,000. (2 marks)

b) Show the computation of goodwill on consolidation for the purchase of Turmeric Sdn. Bhd. on 31 July 2020. (4 marks)

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c) Compute the impairment of goodwill for year 2020.

(2 marks)

d) Using the indirect method, prepare the extract of consolidated statement of cash flow as at 31 December 2020, showing the cash flow from operating and financing activities.

(17 marks)

(Total: 25 marks)

End of Paper.